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## **HOUSING PROGRAM ENHANCEMENTS OFFER ADDITIONAL OPTIONS FOR STRUGGLING HOMEOWNERS**

*Refinements to Existing Administration Programs Designed to Help Unemployed,  
Underwater Borrowers While Helping Administration Meet its Goals*

**WASHINGTON** – Today, as part of its ongoing commitment to continuously improve housing relief efforts, the Administration announced adjustments to the Home Affordable Modification Program (HAMP) and to the Federal Housing Administration (FHA) programs. These program adjustments will better assist responsible homeowners who have been affected by the economic crisis through no fault of their own. The program modifications will expand flexibility for mortgage servicers and originators to assist more unemployed homeowners and to help more people who owe more on their mortgage than their home is worth because their local markets saw large declines in home values. These changes will help the Administration meet its goal of stabilizing housing markets by offering a second chance to up to 3 to 4 million struggling homeowners through the end of 2012. Costs will be shared between the private sector and the Federal Government; the Federal cost of these changes will be funded through the \$50 billion allocation for housing programs under the Troubled Asset Relief Program (TARP).

### **Housing Policy Overview**

The Administration's goal is to promote stability for both the housing market and homeowners. To meet these objectives, the Administration has developed a

comprehensive approach using state and local housing agency initiatives, tax credits for homebuyers, neighborhood stabilization and community development programs, mortgage modifications and refinancing, and support for Fannie Mae and Freddie Mac. The Administration's efforts for homeowners have focused on giving responsible households an opportunity to remain in their homes when possible while they get back up on their feet, or to relocate to a more sustainable living situation. Today, mortgage rates are at record lows and, thanks in large part to these programs, more than four million homeowners have refinanced their mortgages to more affordable levels helping to save more than \$7 billion annually, more than one million are saving an average of over \$500 per month through the Administration's modification program, home equity increased by more than \$12,000 for the average homeowner in the last three quarters last year and the economy is growing.

Even with this success, we continue to see challenges. Servicers were slow to implement HAMP, resulting in a slow start for the program. Recent improvements in the program have accelerated the pace of modifications, and the adjustments announced today will improve performance. But our strategy to address the crisis must evolve because our challenges have also evolved.

Our housing initiatives must balance the need to help responsible homeowners struggling to stay in their homes, with the recognition that we cannot and should not help everyone. The President has said: "We can't stop every foreclosure." And in fact, we can't maintain the balance described above if we assist every borrower. For example, investors and speculators should not be protected under our efforts, nor should Americans living in million dollar homes or defaulters on vacation homes. Some people simply will not be able to afford to stay in their homes because they bought more than they could afford. Instead, the Administration must focus on providing responsible homeowners opportunities to obtain a modification or to refinance and prevent avoidable foreclosures and, when necessary, must facilitate the transition to a more sustainable housing situation. The adjustments announced today are tailored to accomplish these goals by helping a targeted group of borrowers.

Eligible homeowners for modifications under HAMP must, for example: live in an owner occupied principal residence, have a mortgage balance less than \$729,750, owe monthly mortgage payments that are not affordable (greater than 31 percent of their income) and demonstrate a financial hardship. The new flexibilities for the modification initiative announced today continue to target this group of homeowners.

The FHA refinance options being announced today will provide more opportunities for lenders to restructure loans for some families who owe more than their home is worth. This is a voluntary program for lenders and homeowners. The population eligible for a FHA refinance must be current on their mortgage. This rewards responsible homeowners and creates stabilizing incentives in the housing market.

Taken together, the Administration's broad housing initiatives and the new flexibilities announced today will offer a second chance to millions of responsible, middle-class

American families struggling to stay in their homes and will help to stabilize our households, neighborhoods and communities.

### **Background on Housing Program Initiatives to Date**

The Administration has taken a broad set of actions to stabilize the housing market and help American homeowners. These efforts are having an impact on our housing markets – we are seeing signs of stabilization. Looking back to over a year ago - stress in the financial system had severely reduced the supply of mortgage credit, limiting the ability of Americans to buy homes or refinance mortgages. Millions of responsible families who had made their monthly payments had fulfilled their obligations saw their property values fall, and found themselves unable to refinance at lower mortgage rates.

In February 2009, less than one month after taking office, President Obama announced the Homeowner Affordability and Stability Plan. As part of this plan and through other housing initiatives, the Administration has taken the following actions to strengthen the housing market:

#### *Actions Supporting Market Stability and Access to Affordable Mortgage Credit*

- Provided strong support to Fannie Mae and Freddie Mac to ensure continued access to affordable mortgage credit across the market;
- Together, Treasury and the Federal Reserve have purchased more than \$1.4 trillion in agency mortgage backed securities, which have helped keep mortgage rates at historic lows, allowing homeowners to access credit to purchase new homes and refinance into more affordable monthly payments; and
- The FHA has played an important counter-cyclical role, providing liquidity for housing purchases at a time when private lending has declined.

#### *Actions Helping Homeowners Purchase Homes, Refinance and Modify Mortgages to More Affordable Payments, Prevent Foreclosures and Stabilize Communities*

- Launched a modification initiative to help homeowners reduce mortgage payments to affordable levels and to prevent avoidable foreclosures;
- Supported expanding the limits for loans guaranteed by Fannie Mae, Freddie Mac, and FHA from previous limits up to \$625,500 per loan to \$729,750;
- Expanded refinancing flexibilities for the Fannie Mae and Freddie Mac loans, particularly for borrowers with negative equity, to allow more Americans to refinance;
- Launched a \$23.5 billion Housing Finance Agencies Initiative which is helping more than 90 state and local housing finance agencies across 49 states provide sustainable homeownership and rental resources for American families;
- Supported the First Time Homebuyer Tax Credit, which has helped hundreds of thousands of responsible Americans purchase homes.
- Through the Recovery Act is providing over \$5 billion in support for affordable rental housing through low income housing tax credit programs and \$2 billion in

- support for the Neighborhood Stabilization Program to restore neighborhoods hardest hit by concentrated foreclosures; and
- On February 19, 2010, the Administration announced the \$1.5 billion HFA Hardest Hit Fund for housing finance agencies in the nation's hardest hit housing markets to design innovative, locally targeted foreclosure prevention programs.

Historically low mortgage rates along with expanded refinancing flexibilities for Fannie Mae and Freddie Mac loans have helped more than four million American homeowners with Fannie Mae and Freddie Mac loans to refinance, saving an estimated \$150 per month on average and more than \$7 billion in total. HAMP has provided more than 1 million struggling homeowners a second chance to stay in their homes – with each homeowner in a modification saving more than \$500 per month on average.

Together, these initiatives are having an impact – strengthening the housing market, helping responsible homeowners prevent avoidable foreclosures and rebuilding communities and neighborhoods. Today mortgage rates remain at historic lows – the primary interest rate is now about 5 percent, lower than at any time in the three decades before the crisis. We are also seeing encouraging signs in housing indicators – home prices and the pace of home sales have stabilized in recent months.

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